Co-location in London: **stacking up or stalling?**

April 2024

Turley

Contents

Acknowledgements

We are Programme Champions of New London Architecture's (NLA) Industrial & Logistics programme and continue to work in partnership with other industry experts to examine the evolution of London's industrial and logistics sector as well as the concept of Co-Location over the coming year. We would also like to thank the following organisations for their contribution towards this report and the rights to use their imagery:

Gardiner and Theobald, London Borough of Waltham Forest, Regal London, Barratt Homes, SEGRO, Allies and Morrison Architects, and Chetwoods

Introduction

Following an unprecedentedly challenging couple of years for housing delivery in London, the search for solutions to its housing crisis has assumed new urgency. Largely absent from recent discussions, however, has been any consideration of the parallel crisis in the capital's supply of industrial land.

It is in this context that we publish our third annual report on Co-Location: an innovative, mixed-use development model, which -- through the careful 'knitting' together of residential and industrial uses -- seeks to fulfil both the capital's housing and industrial land needs.

As readers of our first and second reports will be aware, the capital's supply of industrial land has experienced a precipitous decline (24%) over the past two decades. The London Plan (2021) seeks to preserve and intensify the capital's remaining reserves of industrial floorspace, whilst also delivering nearly half a million new (affordable) homes over the ten-year period to 2029.

To that end, Policy E7 promotes the masterplan-led integration of industrial, logistics, and related employment uses with new homes on both designated and non-designated industrial land alike, save for the largest, most important Strategic Industrial Locations ('SIL'). In December 2023, the Mayor published the draft Industrial Land and Uses London Plan Guidance ('LPG'), which provides further guidance as to when Co-Location might be suitable, and how policy-makers and developers can work together to maximise the opportunities that it presents.

Credit © Chetwoods

Morden Wharf is a repurposed industrial site in Greenwich, which also includes a mixture of high-end residential and makerspace. This artwork has been produced by Laurie Chetwood, Chairman of Chetwoods.

With the capital under ever-greater pressure to meet its housing and industrial land needs, therefore, Co-Location – or the 'beds over sheds' model – has 'shed' none of its relevancy. Indeed, the third edition of our report finds the concept to have only 'bedded' in further over the past year. This can be seen not only in the proliferation of policy guidance concerning Co-Location, but also the steady growth of the number of Co-Location schemes now under construction across London.

Accordingly, our third annual Co-Location Report seeks to understand how the current pipeline of Co-Location schemes is feeding through to delivery on the ground. Drawing on valuable contributions from investors, developers, policy-makers, architects, and other built environment experts, it therefore considers a number of questions, including:

- How many Co-Location schemes are showing signs of implementation and/or construction?
- How is the policy context with respect to Co-Location evolving across the capital, and how can Local Planning Authorities ("LPAs") support the delivery of Co-Location schemes?
- How are Co-Location schemes promoting place-making while alleviating 'agent of change' concerns?
- What are the key viability-related challenges associated with Co-Location schemes, and how do these differ from other types of development?

In addition, and as with previous reports, we have continued to review all strategic schemes (referable to the Mayor of London at planning application stage) over an extended period of time, and then analysed the data to provide the latest, in-depth insights into common industry talking points.

Our research shows the past year to have seen a slowdown in the number of Co-Location coming forward, which likely reflects the challenging headwinds – in terms of continuing economic uncertainty and the emergence of new, demanding policy requirements – that have dampened market sentiment in this period. At the same time, it finds two very significant reasons for optimism concerning the future of Co-Location in London: namely, the fact that the policy environment has continued to evolve and mature across the capital over the past 12 months; and the fact that more Co-Location schemes are showing signs of implementation than ever before.

What is Co-Location?

Promoted by the London Plan (2021), the concept of "Co-Location" is gaining traction. Whilst still largely unique to London, other cities around the UK are starting to look and see how the careful knitting together of industrial/logistics and residential uses to form mixed-use developments on designated or non-designated industrial sites is performing. Is the overall aim of providing an additional source of housing supply to address the Mayor's significant target whilst intensifying employment floorspace provision at the same time translating from policy through to delivery. There are two approaches to Co-Location:

- Vertical, whereby residential uses are stacked on top of industrial/logistics uses; and
- Horizontal, whereby existing industrial uses are intensified on one part of the site so that a portion of the remaining land can be given over to residential development.

Methodology

Is Co-Location the answer to our housing and employment needs?

Now in its third year, our review provides a comprehensive overview of all full, hybrid, and outline planning applications for Co-Location schemes referable to the Mayor (i.e. the Greater London Authority) for Stage 1 and Stage 2 sign-off within a 96-month period covering 1 January 2019 – 31 December 2023.

Data was collected in relation to the following key indicators:

- Scheme name and address
- Description of development
- LPA
- LPA planning reference
- GLA planning reference
- Project Stage (i.e. GLA Stage 1 /Stage 2, Determined)
- Industrial/employment land designation
- Existing employment use(s)
- Existing employment floorspace
- Proposed employment use(s)
- Proposed employment floorspace
- Overall uplift/reduction in employment floorspace
- Affordable workspace provision
- Affordable workspace discount
- Vertical stacking of employment uses
- Vertical stacking of employment and residential uses (i.e. residential above employment)
- Car parking proposed (employment)
- Car parking proposed (residential)
- Number of residential units proposed
- Residential density
- Residential mix
- Affordable housing provision (in terms of percentage of habitable rooms)
- Affordable housing tenure mix
- Maximum building height (in storeys)
- GLA Fast-Track Route compliance (in line with Policy H5 of the London Plan)
- Urban Greening Factor score
- Environmental Impact Assessment required/ submitted
- Lead architect
- Applicant / Developer Type
- Post-consent status (built out, under construction, conditions discharged, no activity)
- PTAL Score
- Average on-site non-domestic CO_2 emissions reduction
- Average on-site residential CO_2 emissions reduction

For the avoidance of doubt, non-referrable schemes were not included in the report.

For the purposes of the research, Co-Location schemes were defined as those incorporating B1c (now Class E(g)iii)/Class B2/Class B8 and/or related sui generis industrial uses, as well as new homes within Use Class C3 forming part of the same overall development. In terms of its spatial and administrative boundaries, the research covers the 33 Local Planning Authorities (LPAs) as well as the two Mayor Development Corporations – namely, the Old Oak and Park Royal Development Corporation ('OPDC') and the London Legacy Development Corporation ('LLDC'). All analysed data has been retrieved from the public domain and included GLA Stage 1 and 2 Stage Reports, Decision Notices, Committee/Officer Reports, and other Section 106 Agreement.

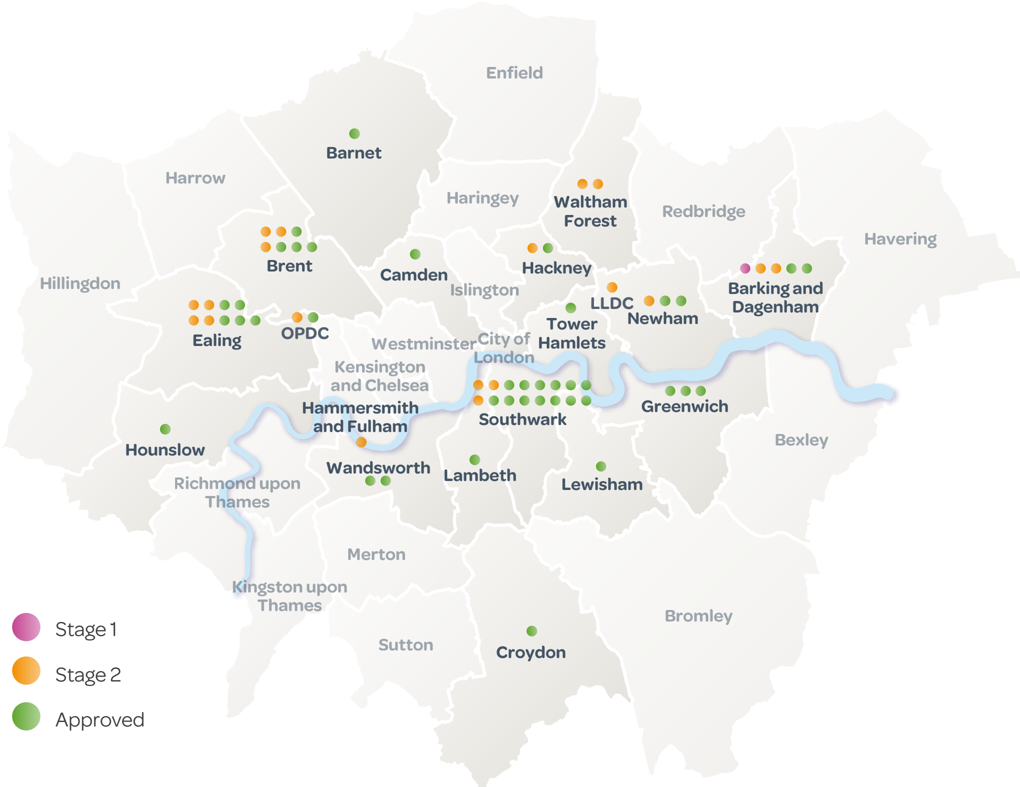
This report seeks to interrogate the pipeline of deliverable Co-Location schemes in London. Accordingly, several schemes which formed part of the evidence base for last year's report have since been removed, and do not inform the figures set out in this year's report. For clarity, schemes have been removed from the evidence base where they have been:

- Refused by the Local Planning Authority ('LPA') or Mayor, or later dismissed at Appeal;
- Withdrawn by the Applicant during the determination process; or
- Superseded by fresh planning applications for non-Co-Location schemes on the same site.

Research & findings

Section 1: Location and Applicants

Distribution of Co-Location schemes across London



Distribution of Co-Location schemes across London by London borough/ development corporation

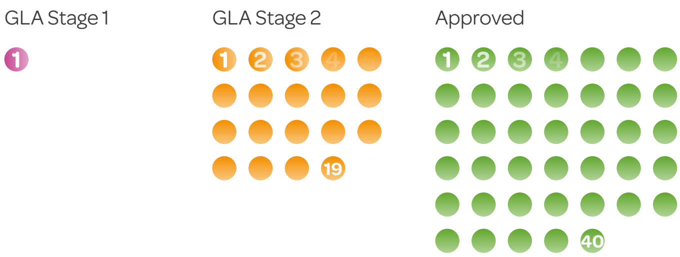
The latest survey results indicate limited growth in this emerging sector over the past 12 months, reflecting the wider state of the real estate market within the capital across 2023. Nonetheless boroughs identified such as Ealing, Brent and Southwark continue to be ahead of the curve with a high proportion of Co-Location schemes (i.e. as part of the Old Kent Road Masterplan and Old Oak Common Masterplans, with new schemes in OPDC, Brent and Southwark , alongside Barking in the east of the capital).

Although some LPAs are yet to accommodate strategic Co-Location schemes, we are aware that several projects are in the early stages of the planning process (i.e. at pre-application or submission stage) and will be included in future iterations of this report. Schemes continue to be primarily coming forward in the central and inner London Boroughs (broadly Zones 1-4). In addition, various LPAs are dealing with or have determined smaller, non-referable mixed-use employment and residential schemes. The data continues to demonstrate an appetite for planning stage proposals across the capital, albeit the picture remains broadly in line with last year's findings.

Planning status of all assessed Co-Location schemes in the planning process

As set out in the Methodology, the research undertaken to inform this report focused on schemes which have reached at least GLA Stage 1. We can see that there is only one live scheme now at Stage 1, whilst schemes at Stage 2 have jumped up to 19 (compared to three last year), while there has been a limited growth in approval (up two from last year). The findings demonstrate the broader market trends for strategic scale schemes in the capital, where the emphasis has been on progressing existing sites through the planning system. The data also suggests the number of formal approvals should increase again substantially next year as the 19 Stage 2 schemes progress through the final approval process. This could result in a deliverable pipeline of almost sixty development sites with an element of Co-Location.

Status of Co-Location schemes in the development pipeline



Are Co-Location schemes being delivered in practice?

Adding to our research from last year, we undertook a high-level review of the approved schemes to assess whether these are now moving towards the delivery. Our research indicates that c.38% of approved schemes were under-construction (inc. demolition) (based on a desktop review using Google Streetview), whilst c.58% of approved schemes were moving towards the delivery phase by the discharge of planning conditions and/or starting construction/demolition activities on site.

This a modest overall increase in both compared to last year's findings but demonstrates continued appetite for delivery of these complex schemes. Whilst clearly at the early stages, these findings demonstrate the policy aspirations of the Mayor (and boroughs) has the potential to be delivered in practice i.e. increasing the supply of new homes and delivering high-quality modern industrial floorspace.

58%

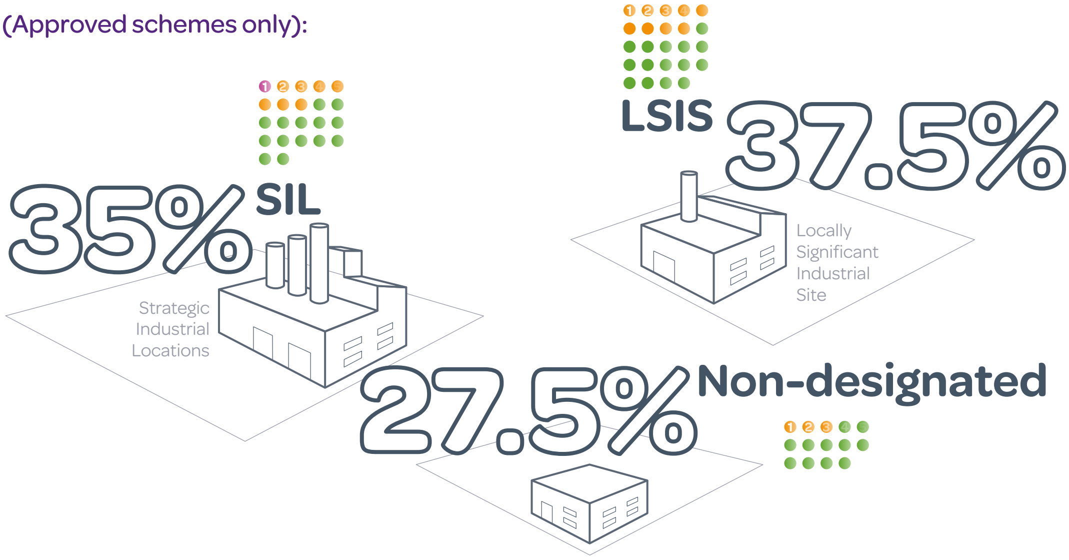
Schemes showing signs of activity / on-site delivery (i.e. discharge of planning conditions/obligations or construction-related)

38%

Schemes where construction (inc. demolition work) **appears to be underway**

Designation of sites accommodating Co-Location schemes

(Approved schemes only):

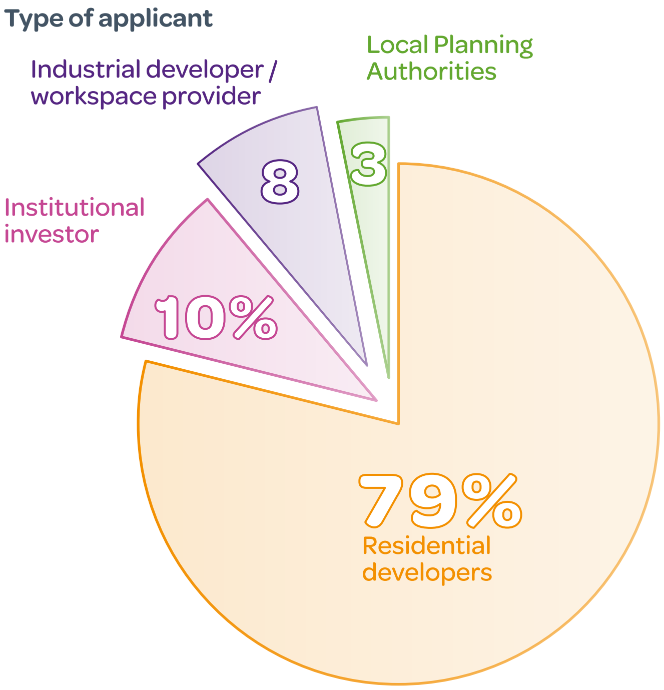


Stage 1
Stage 2
Approved

(All schemes):

Building on our research from last year, the above shows a summary of the type of land use designations which Co-Location schemes are subject to. We have found that over 70% of approved schemes have been located within designated employment land (SIL or LSIS), 38% of which are located within areas of strategically important industrial land (SIL) a slight reduction (c. 3%) from last year's survey. When we consider the broader pipeline of all live applications and approvals (GLA Stage 1 and 2) the proportion of schemes located within designated employment land remains at c.70%.

However, we note that the split between SIL and LSIS designated sites is continuing to shift, with a greater proportion of Co-Location schemes coming forward within LSIS (up 4% from last year). This increased emphasis on delivering Co-Location schemes within LSIS continues to evidence that the key policies within the London Plan, namely Policy E7 (and indeed locally led-masterplans), are biting in practice by focusing this new mix of uses and approach to development.



So who are submitting and promoting Co-Location schemes?

Last year we looked at the types of developer submitting planning applications including Co-Location schemes within their development proposals. The main applicant/ key promoter included (primarily) residential developers/ housebuilders; institutional investors; (primarily) industrial developer/ workspace provider; and schemes that are public sector-led (i.e. by Local Authorities).

The data has not changed significantly from last year with perhaps unsurprisingly a small increase in the number of Co-Location schemes being led by residential developers. Only a small proportion (8%) are led by industrial-focused developers who deal with the provision of (speculative) industrial/logistics floorspace as their bread-and-butter business model.

Barratt London Viewpoint

In the LB Hillingdon, at the former Nestle factory, next to Hayes and Harlington Station, work continues on a project to deliver around 1,500 new homes (with 40% affordable housing) and 22,000 sq ft of commercial floorspace in four separate units.

Working with our partner, SEGRO, the development was masterplanned to ensure that residents of the flats and the occupiers of the commercial space could live and work successfully together. Residents are enjoying living at Hayes Village and the commercial space is occupied and functioning well, proving that two different very land uses can function alongside each other.

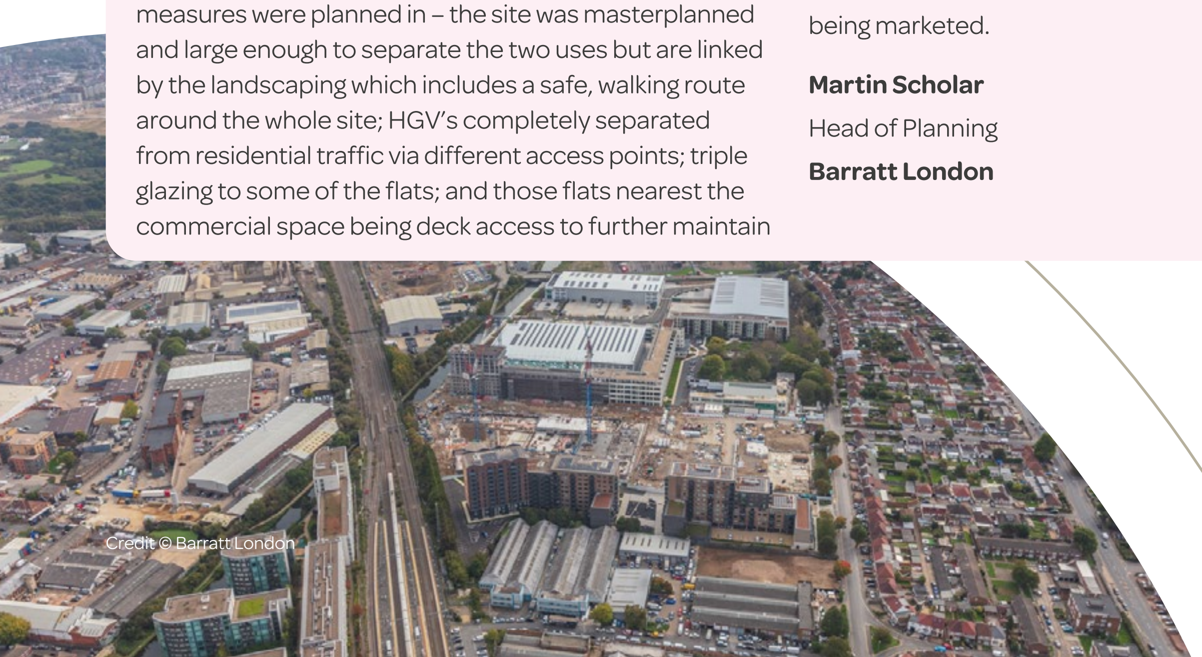
To ensure the success of the development – various measures were planned in – the site was masterplanned and large enough to separate the two uses but are linked by the landscaping which includes a safe, walking route around the whole site; HGV's completely separated from residential traffic via different access points; triple glazing to some of the flats; and those flats nearest the commercial space being deck access to further maintain separation distances. The commercial spaces and their yards are also designed to the highest acoustic standards so that they can function on a 24-hour basis without any noise disturbance to residents of the new flats and indeed the existing residential properties along Nestles Avenue.

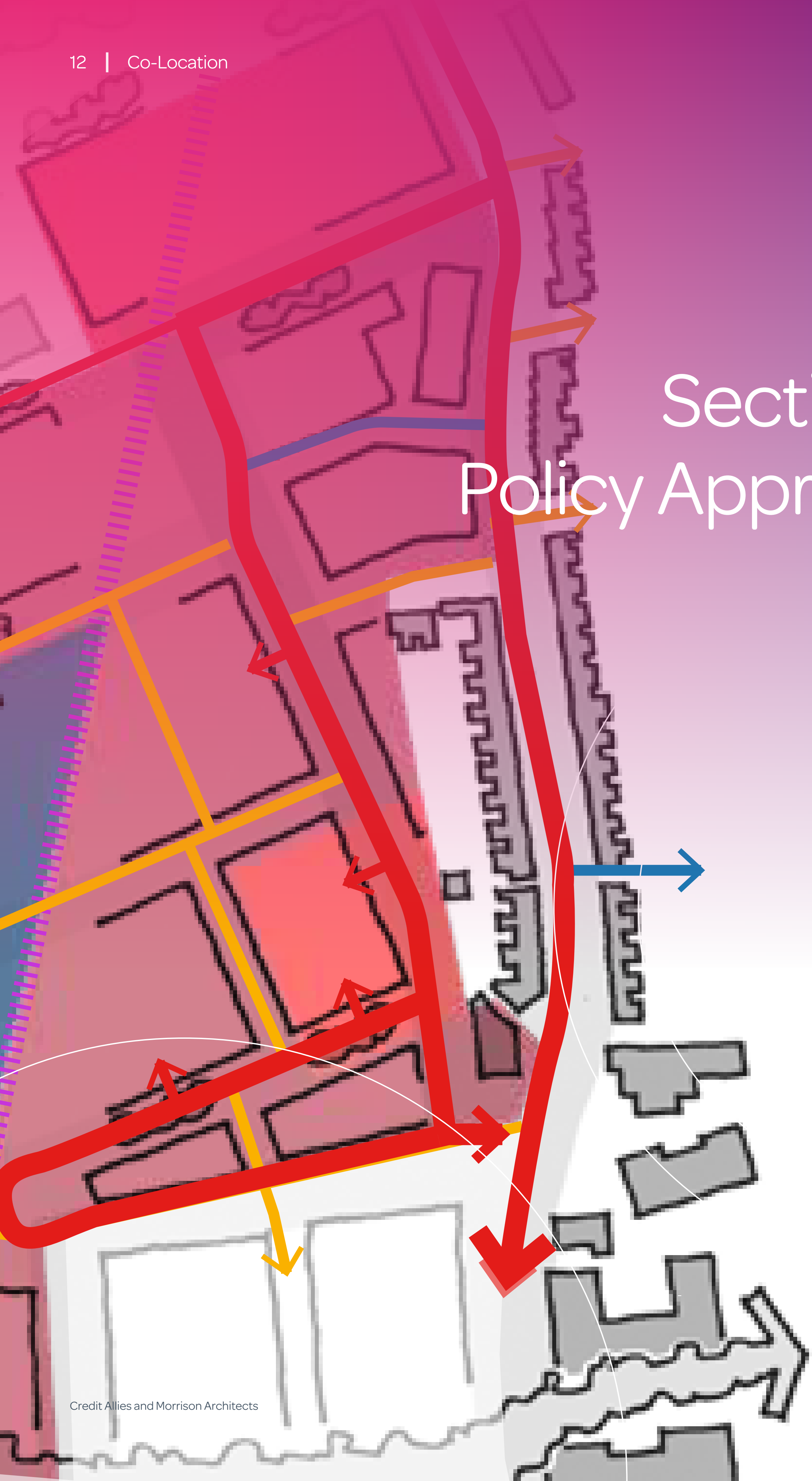
At Bermondsey Heights (aka 227-255 Ilderton Road), close to the Old Kent Road (LB Southwark), Barratt London are developing a multi storey residential building of 253 flats and 28,000 sq ft of commercial floorspace. The space has been designed with an 8m internal clear height to attract a wide range of occupiers. It also has various noise mitigation measures to ensure both the residential and commercial uses can function on an unfettered basis. The commercial space is currently being marketed.

Martin Scholar

Head of Planning

Barratt London


Credit © Barratt London



Section 2: Policy Approach

Credit Allies and Morrison Architects

Policy

33%

33% of boroughs have adopted or intend to adopt Co-Location policies

Since the publication of the London Plan in 2021, an increasing number of boroughs have sought to promote and encourage Co-Location through the publication of local policy and guidance.

While the majority of local Co-Location policies simply repeat the key principles set out in Policy E7 of the London Plan, others seek to put their own local 'spin' on the policy. This often takes the form of additional policy requirements – for example, requiring the employment offer to be tailored to meet specific local needs, or delivered in advance of any residential accommodation. Others set out their own design-related requirements, including specific requests for schemes to include appropriate buffers and separation distances between their industrial and residential elements.

As shown on the map below, seven LPAs have currently adopted policies relating to Co-Location, while a further eight have published draft policies. Altogether, therefore, one third (33%) of LPAs have either published, or intend to publish, policies relating to Co-Location:

Boroughs with adopted Co-Location Policies

Boroughs with draft Co-Location Policies

Turley Viewpoint

As regional policy is biting this is leading to innovative and creative local-level approaches for area based change. In our view, whilst planning policy and site allocation add clarity and certainty over the need to explore Co-Location when assessing site parameters and capacity, the publication of early masterplans and SPDs focused on industrial intensification and Co-Location is adding an extra layer of detail and guidance. These documents can act as useful tools (where appropriately prepared with input from interested parties) to help applicants navigate what is a complex and evolving development model. As our research confirms key hotspots for Co-Location schemes – and therefore significant local investment - are typically forming in borough's where a masterplan or growth strategy is in place (e.g. the Old Kent Road).

From a policy perspective, the foundations are being laid in several boroughs to enable applicant's to explore Co-Location schemes. The question remains whether this alone provides suitable comfort for the market to respond to and invest directly in.

69%

69% of boroughs have either adopted or published draft site allocations for Co-Location

Given the complexity of many Co-Location schemes – in terms of their sheer size, the management of their uses, and wider design, place-making, and access considerations – it is perhaps unsurprising that many schemes are the subject of site allocations, rather than submitted on a speculative basis. At present, 16 LPAs have currently published site allocations, which require the provision of new homes and industrial floorspace within a single scheme, while a further eight LPAs have consulted on draft site allocations. In total, therefore, more than two-thirds (69%) of LPAs have allocated sites for Co-Location in some form:

Boroughs with adopted Co-Location Site Allocations

Boroughs with draft Co-Location Site Allocations

SEGRO Viewpoint

Co-Location can work on very large sites where housing and industrial space can be masterplanned to deliver a high-quality, sustainable and safe environment to live and work. Whilst both uses can comfortably sit alongside each other, it is important that through good design and planning the lives of residents or productivity of industrial occupiers are not compromised. Each use should be able to operate independently of each other. The regeneration of the Former Nestle factory, which delivered SEGRO Park Hayes and Barratt London's Hayes Village, and SEGRO V-Park Grand Union, which forms part of St George's Grand Union housing in Alperton, exhibit these important features and are rare but successful examples of Co-Location being delivered. The lack of availability of very large sites like these means that creative approaches to development are needed to address the shortage of homes and modern industrial space in London.

'Land swaps' are listed in the London Plan as a tool for addressing these shortages. With the right public sector support, we believe this approach could offer a highly deliverable and effective solution for meeting housing and industrial occupier needs. Land swaps are not defined in the London Plan but should apply to the process of switching designations or allocations, either through a local plan review or through a co-ordinated planning application process. For example, an underperforming SIL site in a sustainable location for housing could be promoted for residential development. Simultaneously, an unimplemented housing allocation in a prime location for business could be brought forward for industrial development.

We are aware of multiple opportunities like this which have significant potential to accelerate the delivery of homes for Londoners and the city's critical industrial infrastructure in locations better suited to each use. Realising the great potential of land swaps will require strong political leadership, a commitment from house builders, industrial developers, and planning authorities to work together to create a pragmatic and flexible approach that will help to address London's housing crisis.

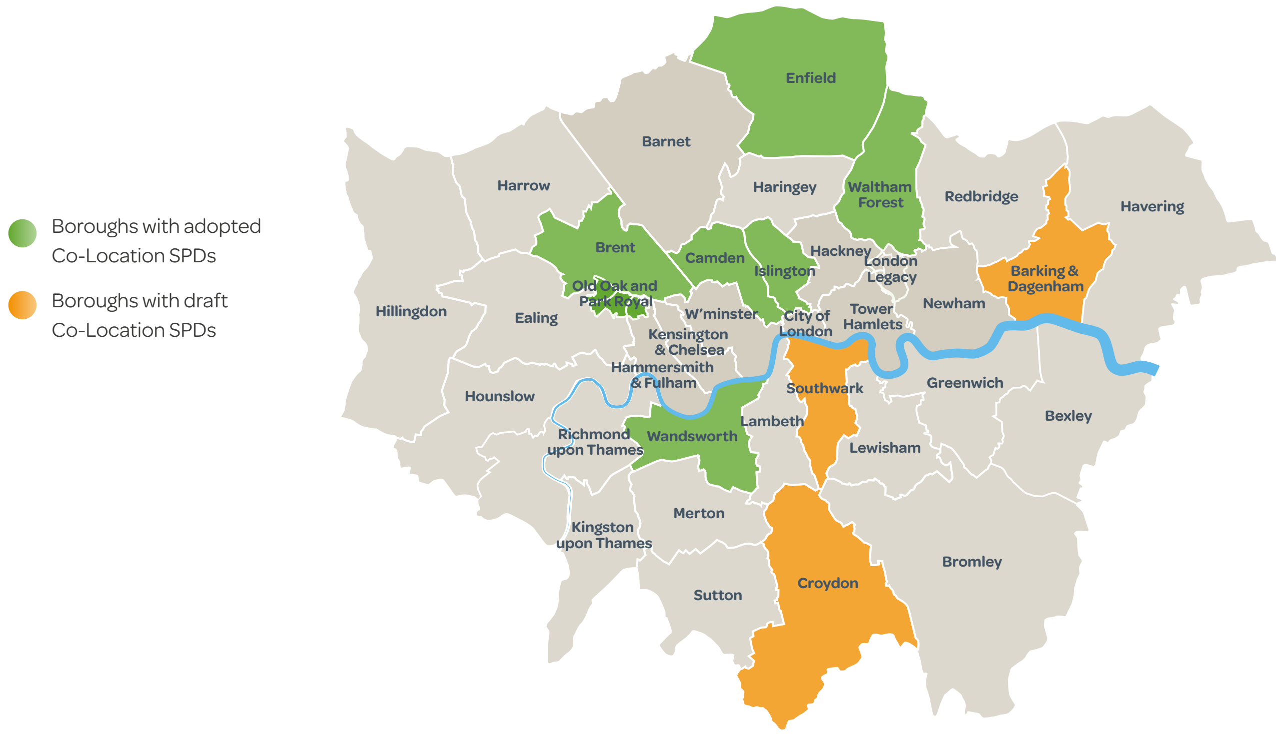
Laura Elias

Associate Director, Planning Development

SEGRO

Under Policy E7 of the London Plan, areas of industrial land designated as SIL can only be released for Co-Location through a plan- or masterplan-led process. Accordingly, a small but nevertheless growing number of LPAs have either adopted, or intend to adopt, Supplementary Planning Documents ('SPDs') to cover large Masterplan or Growth Areas within their borough boundaries. A small number of LPAs have published separate SPDs which cover more detailed criteria relevant to Co-Location schemes, such as requirements around business retention and re-location, or the provision of affordable workspace.

At present, seven boroughs have published SPDs which address Co-Location in one form or another, while a further three have consulted on draft SPDs. In total, therefore, 29% of LPAs have sought to supplement the key principles set out in Policy E7 through the publication of their own additional policy guidance:



Overall, there appears to be a correlation between those boroughs that have published Co-Location-related policies and guidance and those that have received higher numbers of applications for Co-Location schemes. For example, the three boroughs which received the highest numbers of applications for Co-Location schemes – namely, the London Boroughs of Southwark, Ealing, and Brent – have each published Co-Location-related policies or site allocations in some form, while Southwark and Brent have also published Co-Location-related SPDs. It follows, perhaps, that there is no substitute for clear and proactive policy guidance when it comes to unlocking opportunities for Co-Location and delivering the typology at scale.

London Borough of Waltham Forest Viewpoint

In the face of significant demand, and in recognition of the importance of a well-balanced local economy that works for everyone, Waltham Forest has embraced the potential of Co-Location to make the most efficient use of previously developed land to plan for fit-for-purpose industrial buildings and services alongside new homes, social and community infrastructure, parks and open spaces. The new Waltham Forest Local Plan (adopted February 2024) takes a strategic, plan-led approach to industrial designations and embeds support for the comprehensive, collaborative masterplanning of industrial land to ensure that the right types of industrial uses are located in the rights places, whilst also unlocking land for much needed new housing, green spaces and social infrastructure.

Integral to the new Local Plan's spatial vision for the borough is the award-winning masterplan for Blackhorse Lane (2023), delivered in collaboration with local landowners, businesses and the GLA. The masterplan re-imagines an industrial area at the heart of our Creative Enterprise Zone that is currently dominated by dated single-storey buildings, vast areas of hardstanding and poor-quality public realm as a thriving new neighbourhood, defined by a framework of safe, accessible and inclusive streets and spaces. The masterplan is designed to meet the needs of local businesses and also benefit the wider community by balancing effective industrial servicing with safe walking and cycling routes and the creation of new open spaces, including a generous new waterside park on the edge of Walthamstow Wetlands.

Key to the success of the masterplan is the "industrial first" approach to supporting the ecosystem of businesses in the area – both now and in the future. This has emerged through in-depth engagement with local businesses and landowners and establishing the Blackhorse Lane Charter that all subsequent developers will be expected to sign up to. This commits developers to increasing industrial floorspace, retaining and supporting existing business and ensuring the effective functioning of the whole area to serve industrial needs.

The learning from this ongoing engagement will continue to inform strategic planning for industrial land at Blackhorse Lane and other across the rest of the borough, informing the production of a Site Allocations document and a Supplementary Planning Document on industrial land.

Sarah Parsons

Assistant Director of Place and Design

London Borough of Waltham Forest

Credit Allies and Morrison Architects

Source: Blackhorse Lane, Strategic Industrial Location Stage 2 Part B Strategy

Section 3: Employment

Bloom Greenwich © Chetwoods

Bloom Developments' new 36,000 sq ft ultra-urban multi-let industrial scheme that repurposes and intensifies Strategic Industrial Land on the Greenwich Peninsula is located in close proximity to existing residential and a hotel complex. Design strategies have been applied to ensure the development exists cohesively with its neighbours. BREEAM Excellent and EPC A+ are targeted to minimise impact on the local community and to ensure greener operations for occupiers on the estate. The scheme, which has been designed by Chetwoods, is currently on-site and due to complete in June 2024.

Industrial and employment

Total proposed industrial floorspace in approved and submitted Co-Location schemes

375,789 sq m

c.100,000 sq m uplift

Does Co-Location still result in an uplift in industrial floorspace?

Whilst a lot of attention is given to the housing numbers and the associated affordable provision, the re-provision, and ultimately uplift, of employment floorspace is a critical part of the opportunity of this model. The last year has certainly had increased challenges relating to viability and deliverability of schemes, and therefore the uplift in floorspace is not as significant as it was in last year's study, albeit still an increase which is positive.

Our data confirms that there is a total proposed 375,789 sq m, which is a net additional 3,683 sq m proposed in the last year. As set out in the Methodology section, the reason for this relatively small increase is due to the fact that several schemes in the pipeline have variously been withdrawn, refused, or superseded by revised proposals which do not seek to co-locate residential and employment uses. However, positively, there is now 271,800 sq m of proposed industrial floorspace that has now been approved (not just in submitted form) which is an additional 79,800 sq m on last year's amount of 192,000 sq m.

More than two thirds of all Co-Location schemes (69%) deliver an uplift in industrial floorspace – a slight reduction compared to the 71% recorded in last year's report. We also see that, on average, Co-Location schemes achieve a net increase of employment-generating floorspace of approximately 38.1% compared to the existing provision on their respective industrial sites.

Chetwoods Viewpoint

The successful implementation of Co-Location developments requires a good understanding of surrounding local environments, communities and activities, combined with insightful design techniques that avoid any conflict between proposed uses on the site.

Co-Location is a design typology that describes a new way of approaching mixed-use developments to meet evolving pressures and needs. At Chetwoods, we have a thirty-year track record in mixed-use development, and we are applying this experience to pose the key questions that identify the opportunities and challenges of designing and delivering exemplar urban Co-Location developments.

Our approach ensures that a scheme will:

- address its neighbours
- interface with existing activities
- contribute to the built environment
- make people want to live and work there

We achieve this by applying a series of strategies and guiding principles from the outset when developing an initial Co-Location concept. A layered contextual and collaborative approach explores and responds to the history and character of the site, its surrounding area, context and community. This analysis unlocks all the elements of the scheme's design, from site access, building forms and materials to the wider public realm, to allow it not only to co-exist but to thrive within its urban environment.

This approach is supported by a model we have developed on which we can test and scrutinise every detail: from orientation and façade design, to relationships between co-located uses and within surrounding areas. This allows us to anticipate and mitigate potential challenges, while often revealing unexpected opportunities.

We have used this approach on schemes such as Morden Wharf for U+I on the Greenwich Peninsula, where residential and industrial typologies are co-located horizontally, and the interface with the industrial element is used positively to provide smaller workspace and public realm which actively encourages people to use the site, and to feel a connection with the space.

Alex Crane

Regional Director

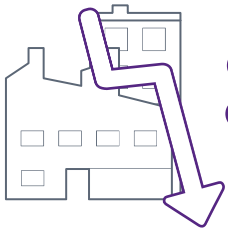
Chetwoods

As per our research of the last two years, it is worth noting that a number of developments include a component of office/workspace falling within Class E(g)(i), which is similarly classed as employment floorspace. However, this has been discounted for the purposes of this report given that it is not a typical industrial use or deemed acceptable (in principle) in designated/non-designated industrial sites.

Our research also shows that the proportion of schemes resulting in an uplift in industrial floorspace currently at GLA Stage 1/Stage 2 is significantly higher to those already approved, a trend which likely reflects the impact of the London Plan - adopted in early 2021 - and its ambitious policies concerning industrial intensification.

Proportion of Co-Location schemes providing a net uplift in industrial floorspace compared to the existing on-site provision:

Uplift 69%



31% Reduction

+69% Average uplift in industrial floorspace of Co-Location schemes compared to existing on-site provision

+38% Average median change in industrial floorspace (all schemes)

GLP G Park Stratford

A highly-sustainable urban logistics / industrial scheme in Stratford designed by Chetwoods for GLP. The scheme will create an exemplar development that is part of the fabric of the community and works cohesively with the existing and proposed residential. The project has achieved planning permission.

GLP Stratford © Chetwoods

Employment land uses in Co-Location schemes

As per the trend identified in our last two reports, the research on existing and proposed employment floorspace continues to show a reduction (or loss) of traditional industrial (Use Class B2), logistics (Use Class B8) and sui generis (industrial) uses, and their replacement through largely light industrial/workspace uses falling within Class E(g)(iii).

However, interestingly the gap is steadying in regards to the loss of B2 uses – the first year of our data back in 2022 showed a loss of 8% of this type of use with last year's and this year's average coming in at about a 5% loss.

Existing industrial / employment uses

E (g)(iii)	B2	B8	Sui Generis
24%	23%	35%	18%

Proposed industrial / employment uses

E (g)(iii)	B2	B8	Sui Generis
52%	17%	30%	1%


Credit © SEGRO Park Hayes

42.5%

of schemes provide affordable workspace

Affordable workspace

The provision of affordable workspace continues to be a policy priority in many (central and outer) London boroughs to ensure local businesses or start-ups are not forced to move elsewhere due to rising land and rental values. Our research shows that **42.5%** of all approved Co-Location schemes are already incorporating an element of affordable workspace secured via Section 106 Agreements.

Of the Co-Location schemes that provide affordable workspace, the average provision against the total employment floorspace is **11.2%** (a 5% reduction from last year's data, but nevertheless a still substantial component of the employment offer).

Of the Co-Location schemes that provide affordable workspace, the average provision is:

11.2%

Section 4: Housing

Credit © BlackRock / NEAT Developments and Allies and Morrison Architects.

The re-development of Uplands Business Park seeks to co-locate flexible, stacked industrial floorspace alongside residential and community uses, creating a new, vibrant and sustainable 15-minute neighbourhood beside the Walthamstow Wetlands.

New homes

Total number of new homes coming forward across all Co-Location schemes:

22,580
(Approved only)

29,668
(Currently at Stage 1/Stage 2 & approved)

494
Average number of homes delivered in Co-Location schemes

The number of new homes being delivered in the capital in recent years has been subject to intense debate and attention in recent weeks and months. The London Plan Review: Report of Expert Advisers (January 2024, commissioned by the Secretary of State for Levelling Up, Housing and Communities) compared various data sources to illustrate that current delivery rates are significantly below the housing target set out in the London Plan.

The National Planning Policy Framework (NPPF) seeks to address this issue by further focusing on the delivery of new homes on suitable brownfield sites. Particularly brownfield industrial sites are often seen as less constrained in environmental (for instance, in terms of impacts on surrounding sensitive uses), townscape or heritage terms than other development sites (such as town centre locations). As such, it is expected that there will be renewed focus on Co-Location in order to assess whether designated or non-designated industrial sites could play an even greater role in the delivery of London's housing target.

However, as highlighted in previous years, the Co-Location model continues to be a significant contributor to the delivery of new homes for Londoners even though overall numbers stagnated. Over the past five years, a total of 22,580 new homes were granted in Co-Location schemes. This represents a minor decrease compared to last year's overall figure (-0.2%) taking into account development sites which have been removed from our research as set out in the Methodology section of this report (i.e. subsequent applications for the same site no longer proposing Co-Location, or else having been refused or withdrawn during the determination process).

Similarly, the total number of new homes in both granted and live applications saw a slight reduction of 2.3% totalling 29,668 (compared to 30,371 last year) – taking into account withdrawn and refused applications, and a limited number of new Co-Location schemes coming forward due to the economic and/or design-related challenges experienced in the residential (and industrial) sector(s). Yet, Co-Location schemes are still an important pillar in the delivery of new homes for the capital.

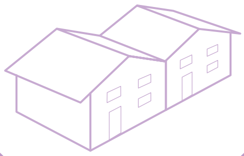
For the first time since publishing this report, we have therefore seen a slowdown in new homes being promoted in strategic Co-Location schemes. Whilst this reduction in applications and therefore new homes in the planning and development pipeline is reflected in other sectors of the real estate industry, it is important to factor that various Co-Location developments are in the process of being delivered and will actively contribute to the Mayor's housing targets (alongside modern, fit-for-purpose employment floorspace).

The Co-Location model is therefore experiencing its first significant set-backs, largely subject to macro-economic factors. Nevertheless, the next year(s) – including an upcoming London Plan Review and the envisaged shift towards maximising delivery of suitable brownfield sites – will be critical to see if this stagnating housing delivery trend manifests itself or if the model will again see the growth levels of previous years.

The average overall number of new homes in Co-Location schemes similarly slightly reduced to just under 500 over the last year (from 514 last year), however, still indicating that a significant number of new homes are required on individual strategic schemes in order to deliver a viable form of development.

Chetwoods

38.1%



Significant reduction in average affordable housing provision over the last 12 months from **38.5%** (2019-2022) to **24.2%**

Affordable housing

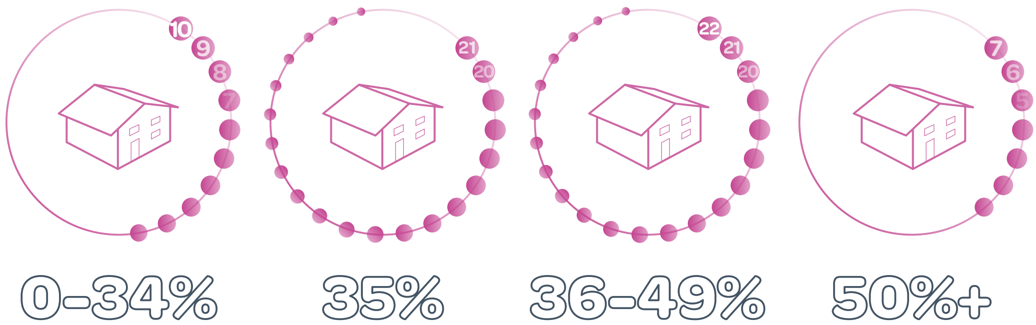
Affordable housing continues to be at the forefront of both the Mayor's agenda and at local level. The London Plan sets a threshold on gross residential developments to provide a minimum 35% affordable housing or 50% on industrial land (where a Co-Location scheme would result in a net loss of industrial capacity). At local level, individual affordable housing targets often differ from the London Plan and are set at higher levels.

However, economic viability continues to affect the sector on both traditional residential-led schemes as well as Co-Location developments and can be a significant factor to get schemes off the ground (or even through planning).

However, our research indicates that – on average – Co-Location schemes continue to exceed the Mayor's minimum affordable housing threshold providing c.38.1% of all residential units in an affordable tenure (including both social/affordable rented and intermediate). Whilst perhaps not alarming in percentage terms (c.2.9%) compared to 24 months ago when we published our first report, it is not an insignificant number in absolute terms.

Our research definitely shows that whilst developers try to maximise the delivery of affordable housing in Co-Location schemes, the overall quantum continues to decline in recent years. With the rigorous viability testing that schemes have to undergo where the Mayor's Fast Track Route cannot be met, this clearly shows increased build costs, market uncertainties and rising interest rates (amongst other factors) impact affordable housing delivery.

Affordable housing provision per Co-Location scheme



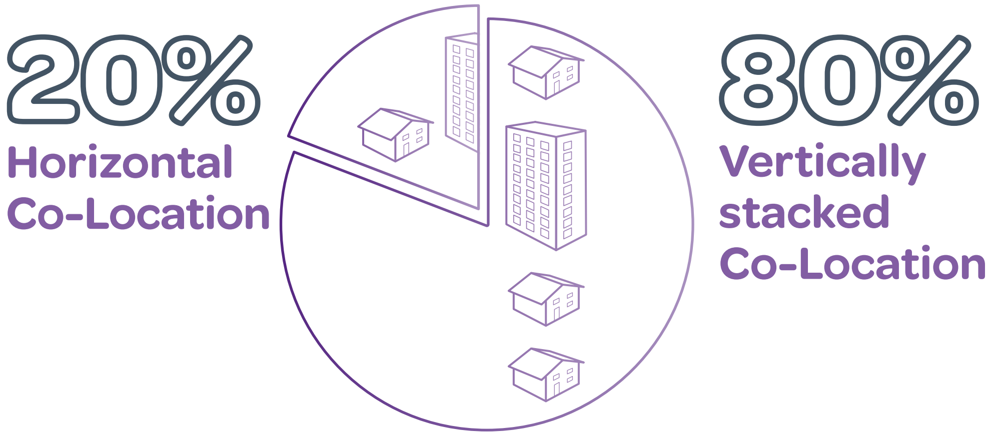
Section 5: Design and Placemaking

Credit © BlackRock/NEAT Developments and Allies and Morrison Architects

Goldsmith Yard, Uplands Business Park

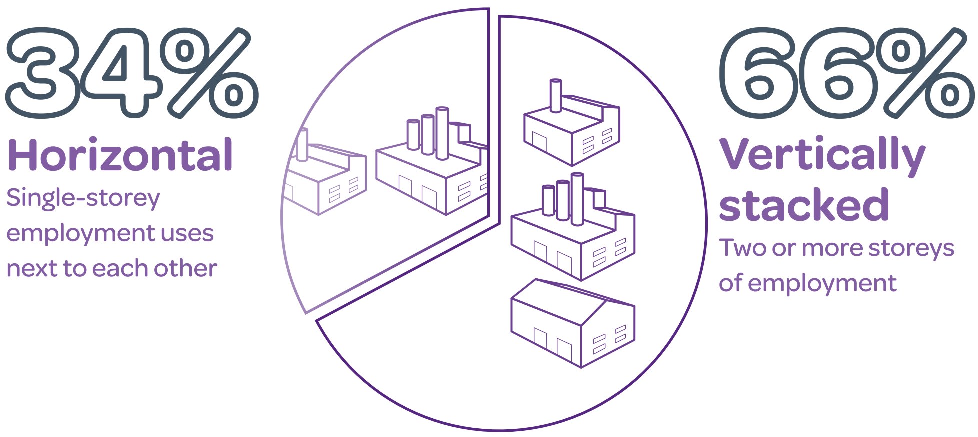
Vertical or horizontal Co-Location

Proportion of schemes coming forward as vertically stacked or horizontal Co-Location (approved and submitted):



The proportion of Co-Location schemes employing a vertically-stacked approach remains virtually unchanged, with four in every five (80%) Co-Location schemes seeking to locate residential uses above employment uses. This remains broadly unchanged from the equivalent figure (81%) recorded in last year's report. Together with the fact that all new Co-Location schemes submitted in 2023 included an element of vertical Co-Location, this may point to the increasing confidence of developers and designers that the ' beds over sheds' model can be made to work effectively.

Co-Location schemes featuring stacked employment uses



At present, approximately two-thirds (66%) of Co-Location schemes in the pipeline feature two or more storeys of 'stacked' or multi-storey employment floorspace. This is virtually unchanged from the equivalent figure (67%) recorded in last year's report.

The structural requirements – and, relatedly, the construction costs – associated with multi-storey developments are typically far greater than their single-storey counterparts, which can present challenges from a viability perspective. For this reason, the 'stacked' approach will not be a suitable means of achieving intensification on every site. Our research does, however, speak to applicants' continued confidence in the ability of multi-storey developments to satisfy key occupier requirements, maximise site efficiency, and achieve the ambitious plot ratios required by the London Plan, while still delivering value.

Regal London Viewpoint

Regal London is one of London's leading privately owned mixed-use developers. We specialise in residential-led mixed-use developments and have delivered many successful projects across London.

Orchard Wharf in the London Borough of Tower Hamlets has been vacant since 1993 but is of strategic importance as a designated safeguarded wharf.

Orchard Wharf is a mixed-use scheme which reactivates the safeguarded wharf unlocking a hub for last mile logistics alongside student accommodation, affordable homes and flexible commercial space. There have been various technical requirements to ensure the wharf box is functional and can operate to its full capacity whilst proposing other uses above and adjacent.

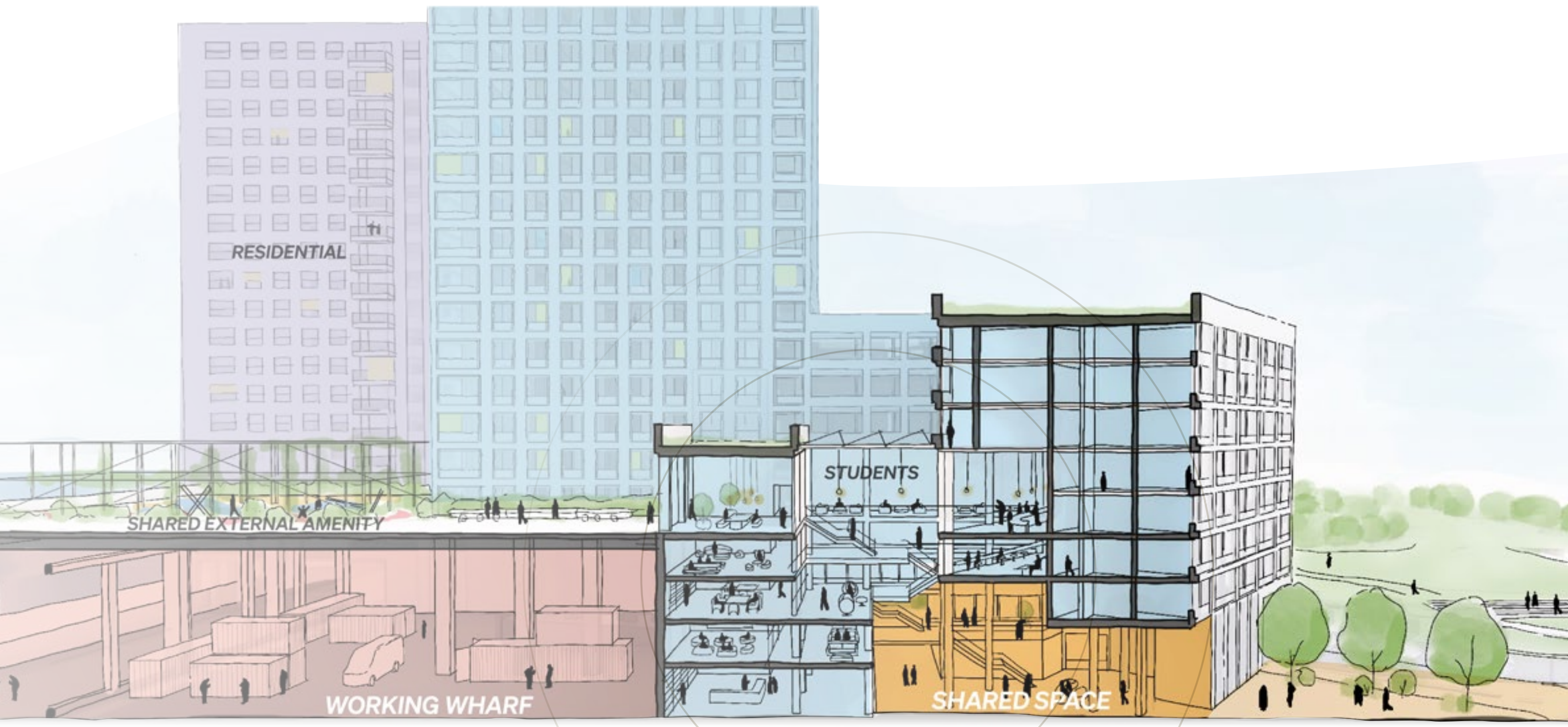
This has been a careful balance when assessing the overall viability of the scheme.

The mix of uses that sit alongside the wharf means that the scheme responds to its wider context which in recent years has moved away from being primarily industrial with high-density residential introduced. This is a successful example of a Co-Location scheme that also contributes to the placemaking of the surrounding area. Orchard Wharf essentially completes this part of the Leamouth Peninsula whilst reactivating an important industrial site.

Chloe Saunter

Senior Planning Manager

Regal London

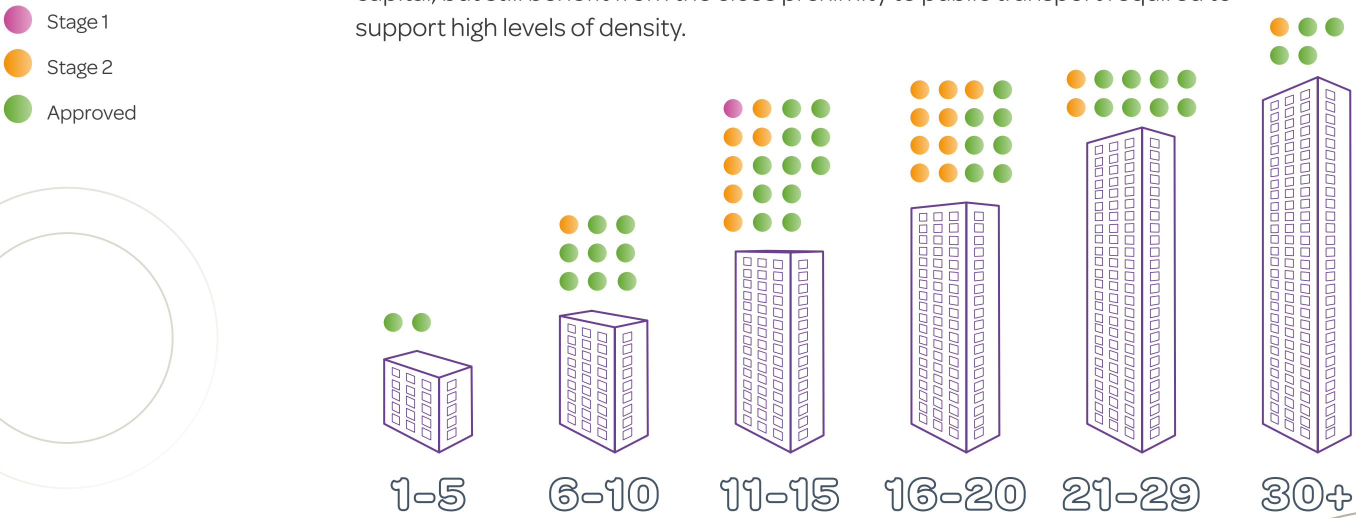


Credit © Regal London

Tall buildings

The London Plan (Policy D9) is not overly prescriptive in its definition of tall buildings; rather, it advises that LPAs should define what is considered a tall building for specific localities, with the caveat that this should not be less than 6-storeys (or 19 metres). By this definition, nearly all Co-Location schemes (97%) comprise one or more tall buildings.

The sheer height of Co-Location schemes may reflect the fact that many are located within wider Growth or Masterplan Areas. These locations are typically subject to fewer heritage or environmental constraints than other parts of the capital, but still benefit from the close proximity to public transport required to support high levels of density.



In recent years, there have been signs of a slowdown in the number of tall buildings coming forward in London, reflecting the uncertainty created by new safety measures, rising building costs, and a more challenging political and economic climate in general. While Co-Location schemes have not been unaffected by these changes, those that have come forward are, broadly speaking, as tall as ever: the majority of schemes continue to fall within the 11-15 and 16-20 storeys range.

West End Gate is a multi-phased residential development delivering 825 new homes across seven buildings of up to 30-storeys in height.

Credit © Berkeley and Squire & Partners

Credit BlackRock/NEAT Developments and Allies and Morrison Architects –Phase 1, Uplands Business Park

Allies and Morrison Architects Viewpoint

For Uplands Business Park, the horizontal Co-Location of a fully industrial, multi-level ("stacked") industrial building with vertically co-located buildings as well as fully non-industrial buildings provided many advantages. From a masterplanning and placemaking perspective, it enabled consolidation and intensification of industrial uses in the part of the site that has the most direct road connections to the strategic transport network . This, in turn, will reduce industrial traffic in the remainder of the site where the separation of the industrial route and the non-industrial ("neighbourhood") route facilitated a robust road infrastructure serving the industrial floorspace in parallel to a safe and attractive network of routes for pedestrians and cyclists. The introduction of a critical mass of residents (alongside other supporting non-industrial uses, will enable Uplands Business Park to become a truly diverse and inclusive employment-led neighbourhood that expands the current local centre around Blackhorse Lane Station into a mixed-use "15-minute city".

The masterplan approach for the site embeds the need for ensuring all buildings (regardless of use) will be designed fit-for-purpose and suitably flexible to adapt for future tenants needs.

In our view, any industrial building (or co-located building) must be considered as an urban building that responds to the urban function of the wider emerging neighbourhood.

Best practice standards, sustainability and flexibility to adapt to changing needs played a big part in the design of the homes, including optimising residential quality, amenity space provision (across terraces, balconies and courtyards) any by creating a network of 'neighbourhood yards' and a green waterside park. Public open spaces, which cover 35% of the site, were designed for a diverse range of future users, yet located away from the industrial route to ensure a high-quality environment that doesn't conflict with the day-to-day industrial activities.

How these spaces will be experienced differently by residents, employees, visitors and neighbours, how they accommodate their different needs and expectations, and how the masterplan can provide a framework for a sustainable, yet industrially functional and fully mixed neighbourhood were all considerations that proved critical for us to develop the concept of Co-Location at Uplands Business Park.

Antje Saunders

Director

Allies and Morrison Architects

Section 6: Sustainability

Credit © IM Properties, Peddimore

Sustainability

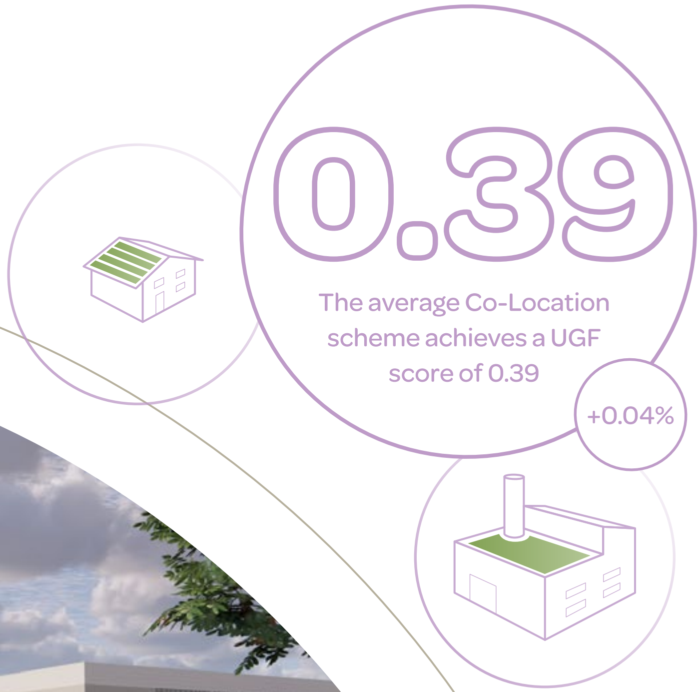
In last year's Co-Location report, we looked at urban greening, accessibility, and carbon emissions. These are important topics for Co-Location schemes, with industrial and logistics uses typically located in areas with less green space, poorer public transport connections, and different energy demands and requirements.

Urban greening

Green space is known to deliver a number of benefits in relation to health and wellbeing, mitigating the effect of an urban heat island, reducing air pollution, and supporting biodiversity.

Policy G5 of the London Plan introduced the Urban Greening Factor (UGF) as a tool for LPA's to assess green infrastructure interventions of development proposals. The policy sets a target of 0.3 for predominantly commercial schemes, and a higher target of 0.4 for predominantly residential or mixed-use schemes - reflecting the fact that predominantly commercial schemes often have a lower UGF score. In this context there is a risk that Co-Location development could result in lower provision of green infrastructure and the benefits it can provide.

Last year's report found that the average Co-Location scheme achieves a UGF score 0.39 – an increase upon the 0.35 average recorded over the previous three-year period. The two new Co-Location schemes which came forward in the last year have each achieved a UGF score of at least 0.4, suggesting that Co-Location developments continue to improve on green infrastructure provision.




Credit © IM Properties, Peddimore

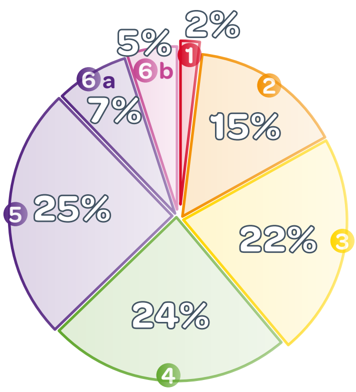
Accessibility

Good public transport accessibility and access to walking and cycling routes is key to ensuring sustainable transport mode share. One risk of Co-Location development is that residential development ends up in areas with poorer public transport and active travel connections, resulting in greater congestion, carbon emissions and air pollution through the use of private cars.

Public Transport Accessibility Level (PTAL) ratings are a measure of public transport accessibility. Sites with a PTAL rating of 4 or more are considered to have a high accessibility. Last year's report found that over 50% of Co-Location schemes had a PTAL rating of 3 or lower. The two new schemes which have come forward this year have a PTAL rating of 4 and 5, with both schemes located directly adjacent to an underground tube station. This demonstrates that Co-Location developments need not necessarily be in areas with lower public transport access. In addition to good public transport connection, both of the new Co-Location schemes have been designed in line with the Mayor's Healthy Streets principles, connecting into the wider active travel network, provide long-stay and visitor cycle parking, and are car-free (aside from disabled parking provision).

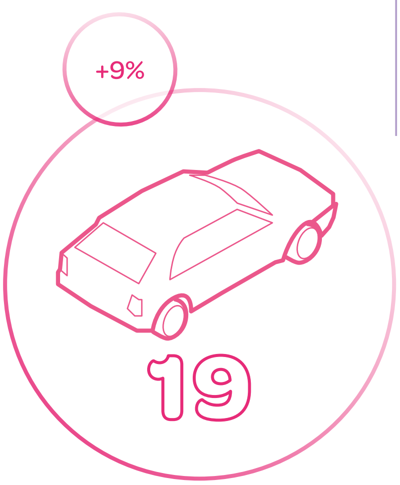
A key benefit of Co-Location schemes which is not considered in a PTAL rating is that they often provide retail and social spaces on-site or nearby, reducing the need to travel in the first place. Both of the schemes coming forward this year provide a mixture of retail/café space, amenity space, as well as commercial and residential space.

PTAL Ratings



Parking

Co-Location schemes are car-light, providing on average just 18 parking spaces



While they perhaps lack the glamour of other attributes considered by this report, access and parking arrangements are a fundamental part of what makes for a successful Co-Location scheme. Often operating around the clock, modern industrial and logistics occupiers increasingly require convenient, 24-hour access to the strategic transport network, as well as means of getting their employees – who often work in shifts – to the site during off-peak hours, when public transport modes may be closed or operating with reduced service. While this is perhaps more important for traditional industrial developments – which typically occupy more peripheral, less accessible locations – Co-Location must still provide sufficient numbers of operational (and staff) parking spaces to meet occupier requirements.

The London Plan does not set out specific maximum parking standards for B2 and B8 uses; rather, it advises that parking requirements should be considered on a site-by-site basis, using those for office developments as a starting point. In keeping with our previous findings, the employment elements of Co-Location schemes remain relatively 'car-light', providing between 14 (all planning applications) and 19 (approved applications only) car parking spaces on average (excluding any disabled or residential parking). The 'all' figure therefore has remained unchanged from last year's report (14); however, the 'all' figure has increased from 10 to 19 spaces, which is closer to the average provision of 18 car parking spaces recorded in our first report. We would, however, caution against reading too heavily into this shift: the vast majority of Co-Location schemes continue to provide few, if any, parking spaces, and are generally located in highly-accessible locations where car parking needs are relatively limited.

Average on-site non-domestic CO_2 emissions reduction:

38.7% CO_2

Average on-site residential CO_2 emissions reduction:

53.9% CO_2

CO_2 Emissions

Residential and commercial developments tend to have very different energy and heating requirements. When combining industrial and residential uses in a single development, there is a risk that energy and carbon performance will be compromised.

The GLA require developments to achieve a 35% reduction in on-site CO_2 emissions compared to the Building Regulations. Last year's report showed positive results, with both the residential and non-residential elements of co-location developments exceeding the GLA requirements, achieving on average a 38.7% on-site CO_2 emissions reduction (non-domestic), and 53.9% on-site CO_2 emissions reduction (residential).

Since this report, new building regulations in this area have taken effect with the introduction of Part L 2021. Developments continue to perform well against these standards, with schemes coming forward in the last year continuing to achieve improvements exceeding the 35% requirement. These requirements are due to be tightened again in 2025 with the incoming Future Homes and Building Standard.

With the introduction of Part O of the Building Regulations, residential developments are also required to consider the risk of overheating. The Mayor of London's Cooling Hierarchy seeks to reduce any overheating and also the need to cool a building through active cooling measures. This is a key issue for Co-Location developments, where potential noise constraints could mean that homes aren't able to use openable windows to stay cool. Both of the Co-Location developments which have come forward in the last year have noted that acoustic constraints have reduced the potential to rely on opening windows to mitigate overheating. This will be a key consideration for Co-Location schemes coming forward in the future.

Turley Viewpoint

We are noticing that investor needs and corporate ESG initiatives are driving higher ESG performance at a development level.

Accelerated action on decarbonisation is the need of the hour. For example, a growing number of Organisations have made a public commitment to set carbon reduction targets aligned with the Science Based Targets initiative's criteria. Draft target setting guidance for the building-sector, released in December 2023, highlights the need to account for and raise the ambition around embodied carbon emissions. This corporate impetus is likely to drive development-level performance targets for operational in-use emissions and upfront embodied carbon that go beyond local policy requirements. This sentiment is also echoed by the UK's first Net Zero Carbon Building Standard, which is due to be released over the summer.

The popularity of green building certification is also on the rise across both workspaces and homes. Certifications systems such as BREEAM, Fitwel, Home Quality Mark and ActiveScore can support corporate ESG commitments, drive higher property value and rental rates, and reduce operational costs. With corporate ESG and responsible investing on the rise, certification is increasingly being seen as less of a 'nice to have' and more of an essential requirement.

We are seeing a re-imagining of what 'industrial' sites should look like. For example, Winnersh Triangle, winner of Fitwel's Best in Building Health for 2024, includes ample green space, nature trails, healthy events, and facilities such as gyms, shops, restaurants, and cafes. With industrial sites increasingly focussing on a range of aspects such as active travel, outdoor spaces and shared site amenities, these developments are becoming increasingly attractive places to live.

Section 7: Delivery and Viability

More than half (58%) of approved schemes are showing signs of implementation, with the number of schemes commencing construction increasing to 38% (5% more than in 2023). This despite significant economic and viability pressures experienced by both the real estate industry and wider economy over the last 12 months.

In this section of the report Gardiner & Theobald (G&T) considers the emerging typical deliverability and viability themes for Co-Location schemes when compared to the delivery of more traditional single-storey industrial units and the burgeoning 'stacked' industrial offer.

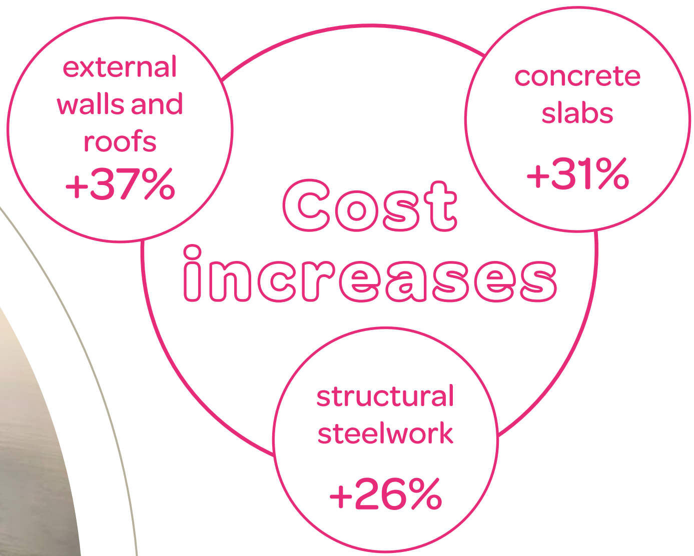
Market Overview: Gardiner & Theobald Viewpoint

There has been significant economic pressure for investors and developers as soaring inflation has shocked the market and tested development viability. Insolvencies within the supply chain are commonplace, main contractors work on tight margins whilst suffering from inflationary costs within their own supply chain. The macro-economic headwinds have resulted in an estimated 29% increase in construction costs for I&L projects from Q4 2020 to Q4 2023. The I&L market is particularly exposed to price fluctuation of materials as 60% of the project cost is accounted for within the structural steel frame, envelope (external walls and roof) and the concrete slabs / yards. Since 2020, it is estimated that external walls and roofs have increased by 37%, concrete slabs by 31% and structural steelwork by 26%.

Whilst there has been inflationary pressure in recent years, there has also been significant growth in Expected Rental Value (ERV) within the I&L sector, with continued growth prospects expected across Greater London. Since 2020, ERV's for multi-let rental in London grew by approximately 47%. This opportunity has attracted new Investors and developers, who have brought ideas from other sectors to disrupt the I&L market.

In this section G&T outline the cost, procurement, risk and viability considerations that influence investors, developers and the supply chain. The analysis is based on delivering these projects in an urban environment. The industrial benchmarking is based on new build developments <150,000ft sq, this reflects the majority of new I&L developments in Greater London, responding to the growth in demand for last mile logistics hubs and space for SME businesses.

Edward Critchley
Senior Associate
Gardiner & Theobald



Benchmarking Typologies

G&T has identified three development typologies to illustrate the cost, design, procurement, and risk factors that influence the development viability of industrial and logistics projects within London. Namely:

- **Single-storey (Traditional):** In an urban environment, G&T would not typically expect these to exceed 150,000 ft sq and have therefore focused on 'small and mid-box units' for benchmarking purposes.
- **Multi-Level (Intensification):** Multi-level developments utilise large steel framed construction to deliver space with upper floor loads that are approximately 4x the capacity of a commercial office. Multi-level allows developers to occupy smaller building footprints whilst delivering the area required.
- **Co-located:** An innovative new typology utilising which optimises a building footprint, creating real estate that delivers on demand for I&L and non-industrial floorspace which typical includes new homes through combining and adapting the two typical mixed-use and industrial typologies. Given the nascency of this sector there is a risk that by combining two distinct typologies to meet demand, each is compromised by the other.

Typical Construction Assumptions

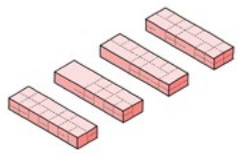
Construction Element	**Traditional Unit** (Single Storey)	**Multi Level Unit** (Intensification)	**Co-located** – Industrial with Residential Above
Assumed GIA	100,000 ft2 sq	100,000 ft2 sq	100,000 ft sq Industrial / 500,000 ft sq Residential
Foundation and Slab	Shallow pad foundations and ground bearing floor slab.	Ground improvement (CMC), large pad foundations or piles, ground bearing slab or suspended slab.	Deep piled foundations and suspended slabs to accommodate loads from both use classes.
Frame	Steel portal frame, lightweight with large spans.	Steel framed construction to support spans and multi-level loading.	Steel framed for industrial levels, transfer structures and concrete frame for residential unit compartmentation.
Upper Floors	10% mezzanine for offices, independent steel structure with composite floor deck to achieve 3.5-4kn/m sq.	Upper floors to support robust floor loadings, often utilising concrete planks to accommodate 10-15kn/m sq load, fixed into steel frame.	Structural steel transfer structure between use classes, concrete planks or similar for residential upper floors.
External Walls, Roof, Doors, Windows.	Built up cladding system, metal insulated sheet panel. Sectional doors	Built up cladding system, metal insulated sheet panel. Sectional doors	Brick slips, composite cladding panel, rainscreen cladding, double glazed windows.
Services	Services capped in corner of unit demise for tenant installation.	Services capped in corner of unit demise for tenant installation.	Full MEP fit out to accommodate apartment requirements.
Fit Out	By tenant.	By tenant.	Apartments fitted out with kitchen, bathrooms, joinery etc.
External Areas	Hard landscaping.	Hard landscaping.	Public realm with hard and soft landscaping, placemaking installations such as planters and street furniture.

Construction Cost Benchmarking

Single Storey

£110-£160/ft sq and £11-16m

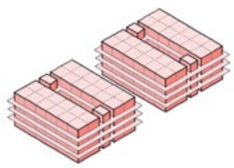
in construction cost



Multi level

£170-£250/ft sq and £17-25m

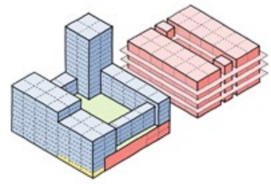
in construction cost



Co-located

£350-420/ft sq + and £210-250

in construction cost



Credit: Allies and Morrison Architects

Single-storey model

G&T's benchmarking for traditional single-storey I&L space is £110-£160/ft, depending on site specific risks and the number of units. A typical 100,000/ft sq single storey unit in London could cost between £11-16m in construction cost, this does not include wider development costs such as site acquisition, professional fees, and third-party costs.

Multi-level model

G&T's benchmarking for multi-level I&L space is £170-£250/ft, depending on the site constraints, unit specification and average size. Some of the new developments on the market offer high specifications with ambitious sustainability targets, driving a cost premium. In some cases, these units will more closely resemble a typical commercial (office) development than an industrial development. A benchmark build rate for a 100,000/ft sq multi-storey unit in London might cost between £17-25m in construction cost, this does not include wider development costs such as site acquisition, professional fees and third-party costs. This can amount to a 50% increase on the single-storey units due to the changes in construction methodology required for multi-level units which are outlined within 'Typical Construction' (section 2).

Co-located model

G&T's benchmarking is based on delivering 100,000/ft sq of multi-level industrial at GF/1F with 500,000/ft sq of residential 'build to rent' above. The benchmark rate for multi-level industrial used is £250/ft due to the enhanced specification requirements of constructing below residential units. The 'build-to-rent' benchmarking is expected to cost between £300-400/ft sq depending on location and specification, G&T has used £350/ft for this example. G&T also note that when delivering mixed-use schemes there are other costs such as transfer structures, acoustic upgrades, sitewide infrastructure and public realm improvements that need to be considered. When factoring in all these costs, to deliver 600,000/ft sq of Co-Location space we would expect a build cost of £350-420/ft sq+, amounting to £210-250m.

Development Viability, Risk and Programme Considerations

Single-storey

Units are typically built as speculative developments, and the creation of shell space warehousing for tenant fit out is commonplace within the industry. However, land values in London mean that the space required for single-storey construction comes at a premium. Typically such unit are less risky to develop by comparison to other typologies, whilst generally simpler to procure given the maturity of the model.

Multi-level

Rising ERV's, land values and changes in occupier demand has driven Investors and developers to more innovative and ambitious solutions in the I&L market. There is limited land available in London. To maximise value, solutions have been sought which deliver the greatest possible Gross Internal Area on the smallest building footprint. The occupier market has also changed, SME's and last mile logistics operators have created a demand for smaller units in prime locations. The construction costs are considerably higher than single-storey industrial units, and this brings viability challenges for developers and investors. However, there is demand for this space and the market cannot supply what is required using the single-storey typology with the land constraints in London. Therefore, ERV's will have to continue to grow to ensure these developments are viable. The market is evolving to deliver a new product which meets occupier demand whilst delivering value for investors and developers.

These projects represent slightly more risk to investors and developers than single-storey units due to the more complex nature of the build and potential site constraints associated with developing in typical urban environments. The experience of the supply chain with this model is also less established given the emerging nature of the model, albeit many main-contractors and sub-contractors operating within the I&L market in Greater London are flexible and recognise the evolving trends within this sector.

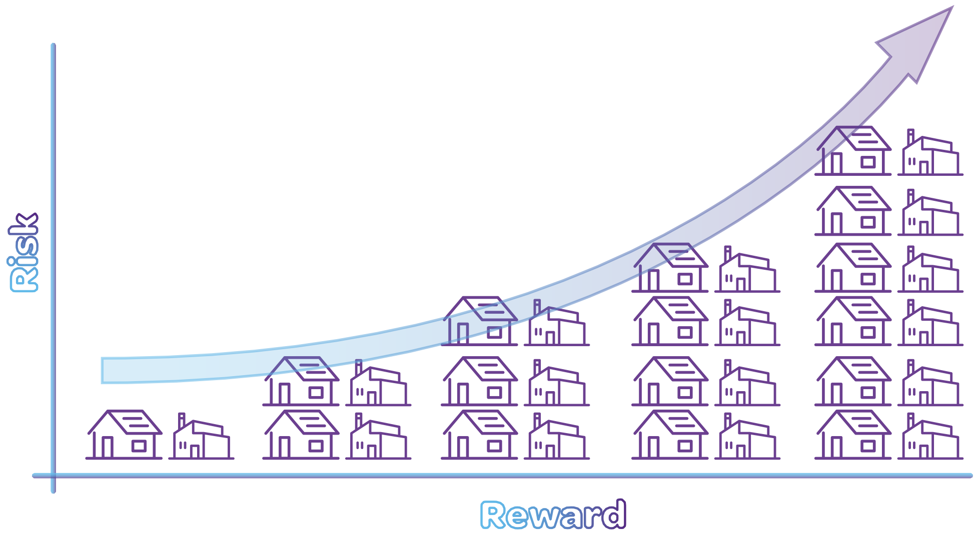
Co-located

Co-Location aims to provide the supply side response to two areas of demand in London, the availability of new homes (including affordable housing) and the space needed for industrial and wider employment-focused occupiers including SME businesses. The residential market has become increasingly challenging in recent years, with the implications of the Building Safety Act and difficult economic environment testing viability thresholds. There has been some positive development with new Co-Location schemes proceeding through planning and on to site where there could be real benefits in terms of optimising best use of land and securing best value. However, it remains to be seen whether the returns will be sufficient to attract the investment required to deliver on the demand side requirements.

In terms of delivery, the supply chain working in the I&L sector will not tend to operate in the residential sector, and there are few contractors operating in this market that would be capable of delivering the residential units. Investors and developers can expect to pay a premium for the procurement of the works with a Tier 1 or Tier 2 main contractor, that can deliver projects of this complexity and scale. There may be opportunities to explore joint ventures with one of the major housebuilders, which could drive cost and programme efficiency. The contracting market is entirely different for Co-Location than single or multi-level I&L and this should be considered by investors and developers before entering the market.

Co-Location projects are complex and offer new challenges to investors, developers, and the supply chain. The works will require widespread infrastructure upgrades, extensive ground improvement and foundation works, the management of multiple building trades and challenging site logistics management. Programme efficiencies can be made through the use of offsite manufacturing, which is more common within residential than I&L developments. However, investors and developers can expect extensive build programmes with numerous risks that will require proactive management throughout.

For further details contact Edward Critchley at Gardiner & Theobald.



Bloom Developments' Brixton Hill scheme, which is designed by Chetwoods, is a 36,000 sq ft ultra-urban multi-let industrial scheme. The main service yard is located between two buildings to screen activity, and acoustic fencing will be covered by climbing plants to introduce greening, ensuring cohesive Co-Location with the surrounding residential. BREEAM Excellent and EPC A+ are targeted to minimise impact on the local community and to ensure greener operations for occupiers on the estate. The project was completed in March 2024.

Conclusion

© Chetwoods

Conclusion: Is it stacking or stalling?

While 2023 saw a slowdown in the number of Co-Location schemes coming forward across the capital, the typology showed continuing signs of strength, with a clearer policy environment beginning to crystallise and an ever-growing number of schemes under construction.

Published in early 2023, the last edition of our Co-Location Report anticipated that the coming year would be a testing one for Co-Location. This has proved to be the case: the uncertainties created by the pandemic, rising build costs, new safety measures, environmental regulations and increased affordable housing obligations have all imposed greater scrutiny on high-rise residential schemes, which Co-Location – as a mixed-use development typology – has not been immune from.

However, despite several large schemes having been shelved or taken back to the drawing board, new schemes have continued to come forward in their place. As a result, the contribution of Co-Location to London's housing supply pipeline remains broadly unchanged: taking live applications into account, Co-Location schemes have the potential to provide approx. 29,688 new homes across the capital. This represents a slight reduction compared to the 30,371 homes recorded in last year's report; however, it is still a near 30% uplift compared to the equivalent figure (c.23,000 homes) recorded two years ago.

At a time when a growing number of LPAs are under pressure to prioritise housing delivery on brownfield sites, our research also shows that this need not be achieved at the expense of the capital's remaining supplies of industrial land. If approved and implemented, the current pipeline of Co-Location schemes has the potential to deliver approximately 375,789 sq m of employment floorspace – an overall uplift of approximately 100,000 sq m compared to the existing provision on those sites. Notably, Co-Location schemes continue to go above and beyond in their re-provision of existing industrial floorspace, with more than two-thirds (c.69%) of all schemes delivering an uplift in industrial floorspace in line with the aspirations of the London Plan.

From a policy perspective, the number of LPAs that have adopted – or intend to adopt – dedicated Co-Location policies has continued to increase. This is a positive trend which speaks not only to LPA's growing familiarity with the concept, but also the depth of their engagement with, and appetite for, Co-Location. As our 'deep dive' into the London Borough of Southwark has shown, clear and proactive spatial policy guidance is a pre-requisite to unlock opportunities for Co-Location and deliver the typology at scale.

It is therefore promising to see that an increasing number of LPAs have adopted Masterplans and Area Action Plans, several of which provide for the regeneration of entire Strategic Industrial Locations through Co-Location and industrial intensification. Given their strategic nature – and, relatedly, their long-term timescales – we should not expect to see an immediate uplift in the number of Co-Location schemes coming forward as a result of these plans. However, by establishing the in-principle acceptability of Co-Location in these areas, and designing out anticipated challenges, masterplanning exercises and other forms of policy guidance can ease the way for new Co-Location schemes to come forward in future.

In the short-to-medium term, it is likely that any uplift in the number of Co-Location schemes will be driven by improving market conditions. There are tentative signs that the residential market has turned a corner, with an interest rate cut rapidly coming into view and recessionary risks easing. On the industrial side, the past year has seen growing interest from investors and developers in the burgeoning 'stacked' industrial typology, which may bode well for interest in other innovative industrial and mixed-use typologies such as Co-Location. Together with the continuing – and ever-more pressing – need to provide new homes and employment space within the capital, these factors strongly suggest that Co-Location remains a concept with much to offer, and whose best days are still to come.

In the meantime, it is positive to note that, having submitted spades of Co-Location schemes for approval over the past few years, developers are at last beginning to put shovels in the ground. In total, 58% of approved Co-Location schemes are now showing signs of implementation, while 38% of approved schemes are under construction. Evidently, there remains strong conviction and interest in the concept from many in the development industry; however, the question of whether this can be sustained will ultimately depend upon how well these schemes – once implemented – are able to address the core challenge of Co-Location: namely, balancing residential and industrial occupiers' differing needs. Given the rate at which Co-Location schemes continue to be implemented, we may not need to wait long for an answer.

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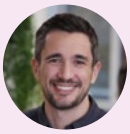
For further information contact:

Planning



Alex Christopher
Director, Head of Planning London
alex.christopher@turley.co.uk

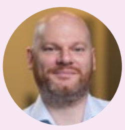
Catriona Fraser
Director, Planning
catriona.fraser@turley.co.uk

Christopher Schiele
Associate Director, Planning
christopher.schiele@turley.co.uk

Samuel Brown
Associate Director, Planning
samuel.brown@turley.co.uk

Nick Edwards
Assistant Planner, Planning
nick.edwards@turley.co.uk

Heritage



Marc Timlin
Director, Head of Heritage, Townscape and Landscape
marc.timlin@turley.co.uk

Sustainability and ESG

Snigdha Jain
Director, Head of ESG
snigdha.jain@turley.co.uk

Barny Evans
Director, Sustainability and ESG
barny.evans@turley.co.uk

Lizzie Bolton
Consultant, Sustainability and ESG
elizabeth.bolton@turley.co.uk

Strategic Communications

James Simondson
Associate Director, Strategic Communications
james.simondson@turley.co.uk

Economics

Amy Gilham
Senior Director, Economics
amy.gilham@turley.co.uk

turley.co.uk

linkedin.com/company/turley

Turley